



**FOR IMMEDIATE RELEASE
PGA**

TSX-V:

PACGEN REPORTS FIRST QUARTER FINANCIAL RESULTS

Vancouver, BC, Canada (August 29, 2008) – Pacgen Biopharmaceuticals Corporation (“Pacgen” or the “Company”) (TSX-V: PGA) today reported financial results from its first fiscal quarter ended June 30, 2008. Amounts unless specified otherwise, are expressed in Canadian dollars and in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP).

Corporate Development Update

During the first quarter ended June 30, 2008, Pacgen released positive topline results from its Phase IIb dose-ranging trial of PAC-113. The results demonstrated that PAC-113 is effective in the treatment of oral candidiasis and compares favourably to the efficacy demonstrated by Nystatin. Based on these positive clinical results, the Company has engaged in business discussions with multiple parties. “Pacgen previously engaged Ferghana Partners to help us evaluate strategic options, and following the release of our Phase IIb results those activities have accelerated” said, Duffy DuFresne, President and Chief Executive Officer of Pacgen.

Financial Results

For the three months ended June 30, 2008 (“Q1 2009”), the Company recorded a net loss of \$1,307,501 (\$0.04 per common share), compared to a net loss of \$1,794,656 (\$0.06 per common share) for the three months ended June 30, 2007 (“Q1 2008”). The decrease in net loss in Q1 2009, as compared to Q1 2008, was largely due to the lower operating expenditures as a result of the cost control program initiated in the second half of the preceding fiscal year.

Research and Development Expenditures

Research and development expenses were \$881,187 for Q1 2009, compared to \$1,065,220 for Q1 2008. The decrease of \$184,033 was due to the Company’s decision to devote its development efforts mainly on the lead program, PAC-113, until further funding is raised. The Company incurred lower development cost for the PAC-G31P program in Q1 2009 as compared to Q1 2008. This was offset by the increased development cost for PAC-113 as it wrapped up its Phase II development. Research and development expenditures by programs for two comparative quarters and since inception are as follows:

Program	For the three months ended June 30,	
	2008	2007
PAC-113	\$840,150	\$379,021
PAC-G31P	34,443	677,387
Other Projects	6,594	8,812
	\$881,187	\$1,065,220

PAC-113

PAC-113 development cost increased by \$461,129 in Q1 2009, compared to Q1 2008 as the program advanced to a Phase II development stage from a proof of concept Phase I/II stage. The development cost in Q1 2009 covered the patient recruitment and completion of Phase IIb clinical trial. The estimated external cost for the Phase IIb study, which involved 223 patients, is approximately \$2.5 million of which \$2.4 million has been recorded as of June 30, 2008. The expenditures in Q1 2008 covered the patient recruitment and completion of the Phase I/II clinical trial.

PAC-G31P

PAC-G31P research cost decreased by \$642,944 in Q1 2009, compared to Q1 2008. Research cost in Q1 2009 was mainly composed of internal overhead associated with the Company's research personnel, while those in Q1 2008 covered the activities related to preclinical studies, mainly through its collaboration with the University of Saskatchewan, and manufacturing development of PAC-G31P.

General and Administration Expenditures

General and administration expenses for Q1 2009 were \$304,887 compared to \$636,330 for Q1 2008. The decrease of \$331,443 was primarily attributable to the decrease of \$142,768 in salaries and wages, \$81,962 in consulting and professional fees, and \$75,329 in other general overhead. The following provides a summary of the general and administration expenditures:

General and Administration Expenditures	For the three months ended June 30,	
	2008	2007
Salaries and benefits	\$105,705	\$248,473
Consulting and professional fees	141,721	223,683
Travel and accommodation	11,756	43,440
Other general overhead	45,705	121,034
	\$304,887	\$636,330

The decrease in salaries and benefits reflects the impact of the Company's precautionary measures to reduce its cash burn. The Company initiated a cost management program in the second half of Fiscal 2008. The cost control program involved elimination of two junior administrative positions and 30% reduction in management salaries starting November 2007. A further 20% reduction in

management salaries was implemented in February 2008. The decreases in other general administrative expenditures were also primarily due to the cost control program initiated in November 2007.

Liquidity and Outstanding Share Capital

At June 30, 2008, Pacgen had available cash reserves comprised of cash and cash equivalents of \$590,344, compared to \$1,438,691 at March 31, 2008. Pacgen had working capital deficiency of \$648,964 at June 30, 2008, compared to working capital of \$535,149 at March 31, 2008. The Company is currently seeking additional capital to finance its operations. Management is considering all financing alternatives, including equity financing, debt arrangement, corporate collaboration and licensing arrangement, and has engaged in discussions with multiple parties on some of these alternatives. There can be no assurance that such financing will materialize on a timely basis or be obtained on favorable terms. If the Company is unable to obtain additional financing, it may be required to curtail its operations.

As of July 31, 2008, there were 35,144,693 common shares issued and outstanding, 9,233,141 common share purchase warrants outstanding at a weighted average price of \$0.72 per share, 500,000 share purchase options outstanding at an exercise price of \$2.25 per share, and 2,491,000 incentive stock options outstanding at a weighted average exercise price of \$0.98.

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INTERIM CONSOLIDATED BALANCE SHEETS

(a development stage company)

(see notes to unaudited interim financial statements)

(expressed in Canadian dollars)

	June 30, 2008 \$	March 31, 2008 \$
ASSETS		
Current		
Cash and cash equivalents	590,344	1,438,691
Amounts receivable	9,672	12,800
Prepaid expenses and other	418,707	469,307
Total current assets	1,018,723	1,920,798
Property and equipment <i>[note 4]</i>	94,172	101,236
Intangible assets <i>[note 5]</i>	942,960	1,002,203
Total assets	2,055,855	3,024,237
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,660,771	1,378,733
Current portion of deferred leasehold inducement	6,916	6,916
	1,667,687	1,385,649
Deferred leasehold inducement	8,646	10,375
Total liabilities	1,676,333	1,396,024
Commitments and contingencies <i>[notes 7 and 8]</i>		
Shareholders' equity		
Share capital <i>[note 6]</i>		
Authorized:		
Unlimited number of common shares without par value		
Unlimited number of preferred shares without par value		
Issued and outstanding:		
Common shares	13,012,118	13,012,118
Contributed surplus	1,222,586	1,163,776
Deficit	(13,855,182)	(12,547,681)
Total shareholders' equity	379,522	1,628,213
Total liabilities and shareholders' equity	2,055,855	3,024,237

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INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

	Three Months Ended June 30, 2008 \$	Three Months Ended June 30, 2007 \$	Cumulative from Inception to June 30, 2008 \$
EXPENSES			
Research and development	881,187	1,065,220	7,211,617
General and administration	304,887	636,330	5,331,855
Stock based compensation <i>[note 6(e)]</i>	58,810	86,405	985,983
Amortization	66,307	68,110	599,810
	1,311,191	1,856,065	14,129,265
OTHER			
Interest and other income	12,971	44,207	237,777
Loss on disposal of property and equipment	—	—	(9,089)
Foreign exchange gain (losses)	(9,281)	2,202	(192,605)
	3,690	46,409	36,083
Loss before income taxes	(1,307,501)	(1,809,656)	(14,093,182)
Future income tax recovery	—	15,000	238,000
Net loss and comprehensive loss for the period	(1,307,501)	(1,794,656)	(13,855,182)
Basic and diluted loss per common share	(0.04)	(0.06)	
Weighted average number of common shares outstanding	35,144,693	30,521,960	

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INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

	Three Months Ended June 30, 2008 \$	Three Months Ended June 30, 2007 \$	Cumulative from Inception to June 30, 2008 \$
OPERATING ACTIVITIES			
Loss for the period	(1,307,501)	(1,794,656)	(13,855,182)
Add items not affecting cash:			
Amortization	66,307	68,110	599,810
Deferred leasehold improvement	(1,729)	—	(2,882)
Future income tax recovery	—	(15,000)	(238,000)
Loss on disposal of property and equipment	—	—	9,089
Stock based compensation	58,810	86,405	985,983
Unrealized foreign exchange loss	—	—	87,936
Write-off of research supplies	—	—	17,819
Write-off of withholding tax receivable	—	—	5,548
	(1,184,113)	(1,655,141)	(12,389,879)
Changes in non-cash working capital items relating to operations:			
Amounts receivable	3,128	12,623	133,822
Prepaid expenses and other	50,600	147,993	(524,462)
Accounts payable and accrued liabilities	282,038	(822,484)	1,634,779
Cash used in operating activities	(848,347)	(2,317,009)	(11,145,740)
INVESTING ACTIVITIES			
Acquisition of IL Therapeutics Inc.	—	—	1,237,089
Proceeds from disposal of property and equipment	—	—	5,775
Purchase of property and equipment	—	(6,922)	(179,202)
Purchase of intangible assets	—	—	(59,743)
Leasehold inducement	—	—	18,444
Cash provided by (used in) investing activities	—	(6,922)	1,022,363
FINANCING ACTIVITIES			
Issuance of share capital, net of share issuance cost	—	—	10,018,885
Advance from related party	—	—	694,836
Cash provided by financing activities	—	—	10,713,721
Increase (decrease) in cash and cash equivalents	(848,347)	(2,323,931)	590,344
Cash and cash equivalents, beginning of period	1,438,691	5,387,366	—
Cash and cash equivalents, end of period	590,344	3,063,435	590,344

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INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(expressed in Canadian dollars)

	Common Shares		Contributed Surplus	Deficit	Total
	Number	Amount	\$	\$	\$
		\$			
Balance, March 31, 2007	30,521,960	12,286,556	795,480	(6,572,969)	6,509,067
Stock based compensation	—	—	86,405	—	86,405
Net loss for the period	—	—	—	(1,794,656)	(1,794,656)
Balance, June 30, 2007	30,521,960	12,286,556	881,885	(8,367,625)	4,800,816

	Common Shares		Contributed Surplus	Deficit	Total
	Number	Amount	\$	\$	\$
		\$			
Balance, March 31, 2008	35,144,693	13,012,118	1,163,776	(12,547,681)	1,628,213
Stock based compensation	—	—	58,810	—	58,810
Net loss for the period	—	—	—	(1,307,501)	(1,307,501)
Balance, June 30, 2008	35,144,693	13,012,118	1,222,586	(13,855,182)	379,522

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About Pacgen

Pacgen is a life sciences company focused on the development of therapeutics for the treatment of infectious and inflammatory diseases. Pacgen's current development efforts are focused on PAC-113, an anti-fungal for the treatment of oral candidiasis and PAC-G31P, a novel peptide therapeutic designed to treat inflammatory diseases characterized by non-beneficial neutrophil.

PAC-113 is a 12 amino-acid antimicrobial peptide derived from a naturally occurring histatin protein found in saliva. This peptide alters the permeability of fungal cell membranes causing cell death. In June 2008, Pacgen announced positive results from its Phase IIb clinical trial demonstrating that PAC-113 is effective in the treatment of oral candidiasis and compares favourably to the efficacy demonstrated by Nystatin, a current standard of care.

PAC-G31P is a small recombinant protein that is a synthetic analogue of the human cytokine called Interleukin-8 which is the key chemokine involved in neutrophil recruitment. PAC-G31P is currently being investigated in preclinical studies for its potential to treat inflammatory diseases characterized by non-beneficial neutrophil.

For additional information, please visit www.pacgenbiopharm.com.

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Forward looking Statements

Certain statements included in this press release may be considered forward-looking. Statements relating to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, market acceptance and future commitments constitute forward-looking statements. All forward-looking statements are based on Pacgen's current beliefs and expectations as well as assumptions relating to the successful and timely completion of its ongoing Phase II clinical trial and pre-clinical studies, the time and process required to obtain regulatory approval for commercialization of its product, the ability of Pacgen to raise additional capital in future on favourable terms, the impact of competitive products and pricing in the market, new product development, and the successful and timely completion of corporate collaborations or licensing arrangements for its research programs. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those implied by such statements, and therefore these statements should not be read as guarantees of future performance or results. Such factors include, among others, our stage of development, lack of product revenues, additional capital requirements, risk associated with completion of clinical trials and obtaining regulatory approval, dependence on collaborative partners, and our ability to protect our intellectual property. Wherever possible, words such as "anticipate", "believe", "expect", "may", "could", "will", "potential", "intend", "estimate", "should", "plan", "predict", "project" or the negative or other variations of such expressions reflect Pacgen's current beliefs and assumptions and are based on the information currently available to Pacgen. Certain risks and uncertainties, including those risk factors identified by Pacgen in its annual information form dated August 1, 2007, may cause our actual results, level of activity, performance or achievements to differ materially from those implied by forward looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which are made only as of the date of this press release. Pacgen disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For all forward-looking statements, Pacgen claims the safe harbour for forward-looking statements within the meaning of the Private Securities Legislation Reform Act of 1995.

-30-

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